

# Debt Management



## Department Description

Debt Management administers all debt issuances, short term and long term, for the City. Debt Management conducts planning, structuring, and issuance activities for short-term and long-term financing to meet the City's cash flow needs and to provide funds for capital projects, equipment, and vehicles. In addition, the Department coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure projects. The Department also monitors outstanding debt issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. With respect to the latter, Debt Management works with the Office of the City Attorney, outside counsel, and other departments to administer debt service payments; monitor the City's compliance with existing bond covenants; coordinate the filing of annual continuing disclosure reports; and respond to requests for information related to outstanding bonds.

Debt Management performs financial analyses for the Mayor, and City departments. The Department also works with the Public Utilities Department to develop financial plans and identify infrastructure funding, based on the public utilities' rate analyses, projections, and federal, state, and local mandates.

Debt Management is organized into the following functions:

### **Citywide Contractual Services**

Citywide Contractual Services provides funds for consulting contracts, including financial advisory and special tax consultant contracts and for services relating to a wide range of financing issues.

### **Enterprise Fund Financing and Administration**

Enterprise Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's enterprise funds and performs or coordinates certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

### **General Fund Financing and Administration**

General Fund Financing and Administration coordinates the structuring and issuance of bond financing for City capital projects funded and secured by the City's General Fund and performs or coordinates certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

### **Special Districts Financing and Administration**

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District formation procedures and related bond issuances, and performs or coordinates certain post debt issuance administrative functions, including the calculation and enrollment of special taxes and assessments and continuing disclosure annual report filings.

# Debt Management

The Department's mission is:

*To provide a comprehensive and innovative debt management administration to meet the financing needs of the City in a cost-effective manner, taking into account City priorities as well as legal, financial, and structuring considerations*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department.

### ***Goal 1: Offer innovative financial products to effectuate the City's capital financing plan***

Offering innovative financial products as part of the City's capital plan will enable the City to pay for much needed capital projects. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Implement and execute financings for capital needs on a timely basis
- Ensure financings implemented are cost-effective

### ***Goal 2: Implement the use of best practices***

Use of best practices is vital in improving and maintaining the efficiency and effectiveness of any organization. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Maintain efficiency and accuracy of Department operations
- Enhance document retention and access practices
- Establish and regularly update the City investor webpage

### ***Goal 3: Manage post-issuance compliance***

Post-issuance compliance is an important process necessary to maintaining the tax exemption of interest on outstanding obligations and in ensuring the City's compliance with federal securities laws. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Optimize returns from bond funds
- Perform regular financial reporting for all stakeholders
- Ensure that the compliance monitoring process is efficient and effective

### ***Goal 4: Adhere to best practices as it relates to disclosure***

Enhanced disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objective.

- Implement and execute financings that adhere to the City's disclosure practices

### ***Goal 5: Promote the highest ethical standards and behavior among employees***

Promote and enforce the City's ethical practices to ensure integrity, accountability, service, team support, openness, and diversity in the Department. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Offer training to management and staff on ethical standards
- Management review of standards and ethical practices with staff on a regular basis

### ***Goal 6: Hire, retain and develop skilled employees***

Developing and retaining a trained and skilled workforce is essential to the success of the Department. Ensuring that our employees are trained and have access to the necessary resources will create a higher performing organization that operates more efficiently and effectively. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Promote and develop excellence and high caliber in the Department
- Ensure knowledge transfer occurs to develop bench strength

## Service Efforts and Accomplishments

The following are the service efforts and accomplishments in Fiscal Year 2009 for the Debt Management Department:

### General Fund

Debt Management facilitated the public offering of \$124 million of Tax and Revenue Anticipation Notes to fund Fiscal Year 2010 General Fund cash flow needs. The department also implemented the private placement borrowing of \$103 million to meet the deferred maintenance (various capital improvement projects) needs of the City.

### Water and Wastewater Enterprises

In 2009, Water and Wastewater Bonds were issued by accessing public markets to meet new capital requirements, to refund certain outstanding long term bonds resulting in substantial future debt service savings to the rate payers, as well as to repay various short-term private notes from prior years.

In January 2009, Debt Management successfully closed the City's Water Revenue Bonds, Refunding Series 2009A, the first public offering in more than five years. A second series, Water Revenue Bonds, Series 2009B, completed in June 2009, included \$150 million in new CIP funding to continue mandated and critical capital projects through June 2010. Together, these two financings totaled \$485.3 million, which included refunding private notes issued in 2007 and 2008 (\$207 million) into public long-term obligations and the refunding approximately \$94 million of debt issued in 1998 at more favorable interest rates.

In May 2009, the Senior Sewer Revenue Bonds, Series 2009A, were issued in the par amount of \$453.8 million, which included \$145 million for new capital projects over the next 12-18 months, repaid the 2007 private note in the amount of \$223.8 million, and refunded \$50.05 million of Sewer Revenue Bonds, Series 1997A&B. The Senior Sewer Revenue Refunding Bonds, 2009B, in the par amount of \$634.9 million were issued in June 2009. The proceeds of the Series 2009B Bonds were used to refund the outstanding Sewer Revenue Bonds, Series 1993 and portions of the outstanding Sewer Revenue Bonds, Series 1995, Series 1997A&B and Series 1999A&B totaling \$633 million.

### Other

- **Annual Reports:** The City has become current on its annual reporting obligations for various bond issuances with the completion of the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2008. Fiscal Year 2008 Continuing Disclosure Annual Reports for Enterprise Funds, General Fund, and Special Districts have all been filed by the required dates as set forth in the applicable Continuing Disclosure Agreements.
- **Investors' Website:** Through the Investor webpage, the City makes financial disclosure materials available to investors that hold the City of San Diego bonds. Debt Management launched and manages the webpage for the benefit of the investor community. Formal financial disclosures related to various bond issuances and City's voluntary disclosures reviewed by the City's Disclosure Practices Working Group (DPWG) are posted on the webpage.
- **Credit Ratings:** The City's current General Obligation ratings are as follows:
  - Fitch Ratings: A+, upgraded in December 2008
  - Moody's: A2, upgraded in August 2008
  - Standard & Poor's: A, upgraded in May 2008

In Fiscal Year 2009, the Debt Management Department was instrumental in coordinating the credit review process.

- **Special Districts:** \$12.4 million in Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds, Series A, were issued in August 2008 to fund the regional roadway and other infrastructure improvements.

# Debt Management

## Budget Dollars at Work: Performance Expectations

### Goal 1: Offer innovative financial products to effectuate the City's capital financing plan

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Percent of City's priority financings completed	N/A <sup>1</sup>	100%	100% <sup>2</sup>
2. Number of new City bond issuances priced no higher than 1% of the average rate achieved by other comparable municipal credits priced in the same time frame	100%	100%	100%

### Goal 2: Implement the use of best practices

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	within 45 days of the end of the reporting period	within 45 days of the end of the reporting period
2. Percent of debt payments made to bond trustees on time	100%	100%	100%
3. Percent of digital access for ongoing and future financings	N/A <sup>1</sup>	100%	100%
4. Percent of the City investor webpage completed	100% <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>
5. Percent of the City investor webpage updated with the latest City financial disclosures	N/A <sup>1</sup>	100%	100%

### Goal 3: Manage post-issuance compliance

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Percent of bond-related investments which are actively evaluated and re-invested as they come to term	N/A <sup>1</sup>	100%	100%
2. Percent of continuing disclosure annual reports filed on or before due dates	N/A <sup>1</sup>	100%	100%
3. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	within 45 days of the end of the reporting period	within 45 days of the end of the reporting period

### Goal 4: Adhere to best practices as it relates to disclosure

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Percent of primary offering disclosures coordinated by the Department that adhere to Disclosure Practices Working Group (DPWG) Controls and Procedures	N/A <sup>1</sup>	100%	100%

<sup>1</sup> Measures were not established in Fiscal Year 2008 to allow for baseline data for this measure.

<sup>2</sup> Refundings subject to market conditions.

<sup>3</sup> The Fiscal Year 2008 baseline was changed from 'N/A' to '100%'. In the Fiscal Year 2009 Proposed Budget, it was incorrectly reported that the webpage was completed in Fiscal Year 2009. The City's investor webpage was completed and launched on May 12, 2008. As a result, both the Fiscal Year 2009 actuals and Fiscal Year 2010 target show 'N/A'.

# Debt Management

## Goal 5: Promote the highest ethical standards and behavior among employees

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Percent of staff attending available City-wide training on ethics and general City-wide codes of conduct	N/A <sup>1</sup>	100%	100%

## Goal 6: Hire, retain and develop skilled employees

Performance Measure	Baseline FY2008	Actual FY2009	Target FY2010
1. Percent accomplishment of the Department Professional Development Performance Index (PDPI) <sup>4</sup> as established by the Department	N/A	100%	100%

## Budget Dollars at Work: Sizing and Workload Data

	FY2006	FY2007	FY2008	Actual FY2009	Target <sup>5</sup> FY2010
<b>Workload Data</b>					
Dollars administered in outstanding financed obligations (fiscal year end)	\$2.58B	\$2.68B	\$2.75B	\$3.01B	\$3.09B
Funding provided through executed financings for infrastructure, capital projects, essential equipment, and working capital	\$277M	\$492M	\$291M	\$520M	\$124M
Number of Community Facilities District and Assessment District parcels administered	8,653	8,759	8,542	8,494	8,490
Value of special taxes and assessments levied	\$18.0M	\$16.9M	\$17.1M	\$16.7M	\$16.9M

<sup>4</sup> The Department established several training goals, each of which is assigned a Professional Development Performance Index (PDPI) percentage. The total of the indices for all training goals is 100%. The index for each goal is multiplied by the percent completion for that goal, and the cumulative result is the percent accomplishment for the measure.

<sup>5</sup> These are estimated figures.



# Debt Management

## Department Summary

Debt Management				
	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL	FY 2009-2010 CHANGE
Positions	22.00	22.00	21.00	(1.00)
Personnel Expense	\$ 2,346,312	\$ 2,402,590	\$ 2,224,292	\$ (178,298)
Non-Personnel Expense	\$ 384,089	\$ 351,326	\$ 407,800	\$ 56,474
TOTAL	\$ 2,730,401	\$ 2,753,916	\$ 2,632,092	\$ (121,824)

## Department Staffing

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
<b>Debt Management</b>			
Ent Fund Fin & Admin	2.30	2.30	1.80
Gen Fund Fin & Admin	14.00	14.00	14.50
Special Dist Fin & Admin	5.70	5.70	4.70
<b>Total</b>	<b>22.00</b>	<b>22.00</b>	<b>21.00</b>

## Department Expenditures

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
<b>Debt Management</b>			
Administration	\$ 5,064	\$ 2,649	\$ -
Bond Financing, Utilities & Analysis	\$ 55,357	\$ 37,988	\$ 31,010
City-Wide Contractual Services	\$ 115,112	\$ 115,112	\$ 115,112
Debt Management	\$ 63,533	\$ (43,754)	\$ (47,440)
Ent Fund Fin & Admin	\$ 318,029	\$ 338,759	\$ 268,298
Gen Fund Fin & Admin	\$ 1,520,674	\$ 1,594,383	\$ 1,662,693
Special Dist Fin & Admin	\$ 652,632	\$ 708,779	\$ 602,419
<b>Total</b>	<b>\$ 2,730,401</b>	<b>\$ 2,753,916</b>	<b>\$ 2,632,092</b>

# Debt Management

## Significant Budget Adjustments

### GENERAL FUND

Debt Management	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00 \$	(44,046) \$	0
Adjustments to reflect the annualization of the Fiscal Year 2009 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and labor negotiation adjustments.			
<b>Personnel Addition</b>	4.00 \$	427,842 \$	0
Adjustment reflects the addition of 4.00 Program Coordinators.			
<b>Equipment/Support for Information Technology</b>	0.00 \$	59,244 \$	0
Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.			
<b>Revised Revenue</b>	0.00 \$	0 \$	(105,600)
Adjustment to reflect Fiscal Year 2010 revenue projections.			
<b>Non-Discretionary Adjustment</b>	0.00 \$	(2,770) \$	0
Adjustments to expense allocations that are determined outside of the department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.			
<b>Vacancy Savings</b>	0.00 \$	(55,316) \$	0
Adjustments to personnel expenses to reflect the anticipated savings resulting from positions projected to be vacant for any period of the fiscal year due to personnel attrition and salary differentials for new employees.			
<b>Personnel Reduction</b>	(5.00) \$	(506,778) \$	0
Adjustment reflects the reduction of 5.00 Senior Management Analysts.			

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>PERSONNEL</b>			
Salaries & Wages	\$ 1,557,979	\$ 1,607,470	\$ 1,498,456
Fringe Benefits	\$ 788,333	\$ 795,120	\$ 725,836
<b>SUBTOTAL PERSONNEL</b>	\$ 2,346,312	\$ 2,402,590	\$ 2,224,292
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ 281,980	\$ 281,671	\$ 274,616
Information Technology	\$ 66,634	\$ 35,678	\$ 88,479
Energy/Utilities	\$ 16,544	\$ 15,046	\$ 25,774



# Debt Management

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>NON-PERSONNEL</b>			
Equipment Outlay	\$ 18,931	\$ 18,931	\$ 18,931
<b>SUBTOTAL NON-PERSONNEL</b>	\$ 384,089	\$ 351,326	\$ 407,800
<b>TOTAL</b>	\$ 2,730,401	\$ 2,753,916	\$ 2,632,092

## Revenues by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 FINAL
<b>GENERAL FUND</b>			
Revenue from Other Agencies	\$ -	\$ -	\$ 102,367
Charges for Current Services	\$ 1,526,389	\$ 1,243,485	\$ 1,035,518
<b>TOTAL</b>	\$ 1,526,389	\$ 1,243,485	\$ 1,137,885

## Salary Schedule

### GENERAL FUND

#### Debt Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2009 Positions</i>	<i>FY 2010 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	5.00	0.00	\$ -	\$ -
1107	Administrative Aide II	1.00	0.00	\$ -	\$ -
1218	Assoc Management Analyst	1.00	2.00	\$ 61,687	\$ 123,374
1222	Assoc Economist	3.00	3.00	\$ 55,059	\$ 165,178
1535	Clerical Assistant II	1.00	1.00	\$ 34,340	\$ 34,340
1746	Word Processing Operator	1.00	1.00	\$ 36,514	\$ 36,514
1876	Executive Secretary	1.00	1.00	\$ 49,992	\$ 49,992
1917	Supv Management Analyst	5.00	0.00	\$ -	\$ -
1923	Supv Economist	1.00	0.00	\$ -	\$ -
2132	Department Director	1.00	1.00	\$ 130,948	\$ 130,948
2270	Program Manager	2.00	2.00	\$ 98,928	\$ 197,855
2282	Program Coordinator	0.00	10.00	\$ 79,485	\$ 794,851
	Vacancy Factor Adjustment	0.00	0.00	\$ -	\$ (55,316)
	Furlough Savings	0.00	0.00	\$ -	\$ (10,235)
	Overtime Budgeted	0.00	0.00	\$ -	\$ 4,684
	Temporary Help	0.00	0.00	\$ -	\$ 26,271
	<b>Total</b>	<b>22.00</b>	<b>21.00</b>	<b>\$</b>	<b>1,498,456</b>
<b>DEBT MANAGEMENT TOTAL</b>		<b>22.00</b>	<b>21.00</b>	<b>\$</b>	<b>1,498,456</b>

